

16 June 2017

General Manager  
Policy Development  
Australian Prudential Regulation Authority

By email: [lifeclaimsdata@apra.gov.au](mailto:lifeclaimsdata@apra.gov.au)

Dear Sir or Madam

## Life Claims – Response to Discussion Paper

The purpose of this letter is to give feedback on the (undated) discussion paper.

I have three substantial items of feedback on the content of the proposed data collection, along with some other minor questions and observations.

### The claims data is inadequate and needs to be in database form

Claims data should be collected on a unit record basis (i.e. one record for each claim), with the capacity to build a database of progress and events for each claim. There are numerous advantages to this approach, one of which is the ability to analyse in different dimensions and different relationships.

The structure of the data collection should be to firstly identify and collect static characteristics of the claim and secondly to define key 'events' in the life of a claim and to report the time and status of each 'event'.

The static characteristics of the claim may include:

- Claim ID for insurer reference
- Cover type
- Individual/group
- Date of birth of claimant
- Gender of claimant
- Occupation of claimant
- State of residence of claimant
- Date of loss (the end of the waiting period if any)
- Amount claimed (lump sum, or per month for income streams)

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- Cause of claim (codes to be determined using existing precedents such as ICD10)
- Years since commencement of cover.

Potential 'events' would be:

- First notification
- Completed claim form received with initial information
- Insurer decision communicated to policyholder
- Dispute received by insurer
- Decision on dispute communicated to policyholder
- Payment of claim amount (first payment if an income stream)
- Finalisation of claim.

The date of each event can be recorded as a precise system date.

The status to be recorded may vary for each type of event, but would include

- Insurer decision – accept, decline, partially accept
- Dispute received – from claimant, lawyer, trustee, other;
- Venue of dispute – internal review, SCT, Court, etc
- Decision on dispute – similar to insurer decision.

To be fit for purpose the data must allow for multiple events, including multiple events of the same type.

### **Cause of claim is a significant omission**

Having worked recently on a green paper for the Actuaries Institute regarding mental health and insurance, the omission of data on 'cause of claim' leaps out.

There are several coding systems available for cause of claim, and I am certain that an effective one can be found for this purpose.

There is increasing concern about the influence of co-morbidities, especially with mental health conditions. Given this concern there should be provision for several causes to be recorded, as is done with CTP in NSW and Queensland and also with hospital data.

### **The policy data is too detailed and complex for the purpose**

In my view the proposed policy data is at a much greater level of detail than needed for the purpose. The reason for policy data collection stated in the paper is that it 'provides context to the claims and dispute data collected'. This seems only to need some broad indication of scale. That indication is probably already available from APRA statistics at an adequate level of cover type.

Two reasonable indicators of scale are in force premiums by product type (from existing APRA data) and total number and cost of claims made (from the claims data collection)..

It is difficult to see how the following information would be relevant for 'context':

- Whether individual business is sold inside or outside superannuation
- Open or legacy product
- Whether the business was sold with or without advice
- Business sold during the reporting period
- Business discontinued during the reporting period.

Perhaps I am missing something, but I could only think of two reasons why the regulators would be suggesting a policy data collection of this kind:

- (i) The regulators are concerned about sales and performance measures, separately from information about handling of claims
- (ii) The regulators think they may be able to work out claims incidence and cost rates from the data provided.

In either case, the proposed collection would not be consistent with the purpose of the data collection and (if one or other of the above reasons is relevant) would not achieve that goal in any case.

### Other minor questions

Provision needs to be made for information that is unknown.

If superannuation funds are to submit data as well as life insurers, there needs to be a mechanism to avoid double counting.

I presume claims against more than one policy for the same claimant should be treated as separate claims.

I am of the view that data collection undertaken by an industry body will usually be more efficient and effective than by government. The main impediment to industry collection is compulsion – if this can be achieved then an industry-run collection is desirable.

This feedback represents the views of the writer, not necessarily of his firm or any of the firm's clients. There are no restrictions sought regarding publication.

If you have any questions please call on 02 8252 3337 or email at [geoff.atkins@finity.com.au](mailto:geoff.atkins@finity.com.au).

Yours sincerely

A handwritten signature in black ink, appearing to be 'Geoff Atkins', written in a cursive style.

Geoff Atkins FIAA